

Message Text

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ORIGIN EA-09

INFO OCT-01 EUR-12 IO-11 ISO-00 EB-07 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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DRAFTED BY DRAFTED:EA/J:DFSMITH:BCL

APPROVED BY EA - MR. EDMOND

EB/OTP/STA-WCLARK (DRAFT)

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

INFO AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USDEL MTN GENEVA

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION OECD PARIS

AMEMBASSY OTTAWA

AMEMBASSY MADRID

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E.O. 11652: N/A

TAGS:ETRD, GATT, JA

SUBJECT: SPECIALTY STEEL: JAPANESE VIEWS

REF: TOKYO 339

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1. ECONOMIC MINISTER FUKADA PRESENTED AIDE-MEMOIRE TO EA DEP ASST SECRETARY EDMOND MARCH 5. TEXT TRANSMITTED BELOW. ORALLY FUKADA ADDED THAT GOJ HAD CONSIDERED AGREEMENT TO ORDERLY MARKETING ARRANGEMENTS (OMA'S) AS POSSIBLE SOLUTION BUT HAD CONCLUDED THAT THERE WAS "RATHER LITTLE ROOM" FOR JAPAN TO AGREE TO SUCH A COURSE. GOJ IS NOT SURE THAT OMA'S WOULD BE PERMISSIBLE UNDER ARTICLE 19 OF GATT OR OUTSIDE GATT FRAMEWORK, AND FURTHERMORE OMA'S COULD HAVE DIFFICULT RAMIFICATIONS FOR SAFEGUARDS NEGOTIATIONS IN THE MTN. MOREOVER, GOJ HAD NO ASSURANCES THAT OTHER PARTIES INVOLVED IN CASE WILLING TO FOLLOW OMA APPROACH. IF JAPAN WERE ONLY PARTY TO OMA'S, IT COULD RESULT IN DISCRIMINATION AGAINST JAPANESE EXPORTS. FUKADA NOTED, HOWEVER, THAT WORDING OF HIS INSTRUCTIONS DID NOT CATEGORICALLY REJECT OMA'S. FUKADA SAID HE HAD BEEN INSTRUCTED TO ASK WHY ITC WAS RECOMMENDING QUANTITATIVE RESTRICTIONS (QR'S), WHEN IN PAST USG HAD GENERALLY AVOIDED QR'S. WITH REFERENCE TO PARA 2(4) OF NOTE, HE SAID GOJ IS STUDYING WHAT COMMODITIES RETALIATORY MEASURES WOULD COVER.

2. EDMOND SAID THAT USG WOULD GIVE FULLEST CONSIDERATION TO GOJ VIEWS BUT REGRETTED THAT GOJ SEEMED TO FEEL IT NECESSARY TO MOVE TOWARD RETALIATION. USG WAS MAKING F MAXIMUM EFFORT TO RESOLVE QUESTION IN WAY FAIR TO TRADING PARTNERS, INDUSTRY, AND LABOR. HE REFERRED TO NEED TO CONTAIN RAMIFICATIONS OF CASE TO PREVENT DIFFICULTIES FROM SPREADING TO OTHER SECTORS. RETALIATION COULD CAUSE POISON TO SPREAD.

3. CLARK (EB/STA) STATED WITH REFERENCE TO GOJ CONCERN ABOUT DISCRIMINATION THAT TRADE ACT PERMITS OMA'S AND PROVIDES FOR POSSIBLE IMPOSITION OF QUOTA CONTROLS ON THIRD PARTIES IF SHIPMENTS FROM THOSE THIRD PARTIES THREATEN TO DISRUPT OMA. EDMOND NOTED THAT IF OMA COVERED "MAJOR PART" OF TRADE IN ITEMS CONCERNED, USG WOULD GIVE PRIOR ASSURANCES THAT COUNTRY COVERED BY OMA WOULD NOT BE DISCRIMINATED AGAINST.

4. REGARDING ITC RECOMMENDATION OF QR'S, CLARK POINTED LIMITED OFFICIAL USE

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OUT THAT UP TO PRESENT ITC HAS RECOMMENDED VARIOUS MEASURES INCLUDING QR'S BUT NOT OMA'S. ITC REGULATIONS PRECLUDE FURTHER ELABORATION ON DECISION AFTER IT IS MADE, AND STATE DEPT. QUERY ON SUBJECT MIGHT BE TURNED ASIDE.

5. EDMOND ASKED IF ANY SIGNIFICANCE SHOULD BE GIVEN TO FACT THAT JAPANESE NOTE CONTAINED NO REFERENCE TO VRA'S.

HE ASKED IF GOJ SILENCE STEMMED FROM ABSENCE OF REFERENCE TO THIS APPROACH BY ITC AND STR. FUKADA SAID HE HAD NO INSTRUCTIONS ON SUBJECT. EDMOND SPECULATED THAT TOKYO APPARENTLY PREFERRED QUOTAS, IF LOOSER THAN THOSE RECOMMENDED BY THE ITC, TO OMA'S. FUKADA THOUGHT HIS INFERENCE CORRECT. HE SAID HE WOULD REPORT ON INFORMAL BASIS EDMOND'S CURIOSITY ABOUT VRA'S.

6. FOLLOWING IS TEXT OF JAPANESE NOTE: QUOTE: THE EMBASSY OF JAPAN PRESENTS ITS COMPLIMENTS TO THE DEPARTMENT OF STATE, AND WITH REFERENCE TO THE EMBASSY'S NOTE VERBALE OF FEBRUARY 2, 1976, HAS THE HONOR TO INFORM THE LATTER OF THE FOLLOWING VIEWS OF THE GOVERNMENT OF JAPAN ON THE SPECIALTY STEEL ISSUE.

1. THE GOVERNMENT OF JAPAN WISHES TO REITERATE ITS BASIC POSITION THAT NO IMPORT RESTRICTIVE MEASURES ON CERTAIN STAINLESS STEEL AND ALLOY TOOL STEEL PRODUCTS SHOULD BE INTRODUCED. FURTHERMORE, THE UNITED STATES GOVERNMENT IS URGED ONCE AGAIN TO MAKE A FAIR AND EQUITABLE DECISION ON THE MATTER, TAKING INTO FULL CONSIDERATION ITS INTERNATIONAL OBLIGATIONS AND THE DETRIMENTAL RIPPLING EFFECTS OF UNWARRANTED UNILATERAL IMPORT RESTRICTIONS.

2. SHOULD THE UNITED STATES GOVERNMENT, HOWEVER, BE COMPELLED TO TAKE UNILATERAL IMPORT RESTRICTIVE MEASURES IN COMPLIANCE WITH THE RECOMMENDATIONS OF THE INTERNATIONAL TRADE COMMISSION (ITC), THE GOVERNMENT OF JAPAN WOULD ASSUME THE FOLLOWING POSITION.

(1) COMPARISON OF THE COUNTRY QUOTA SHARES CONTAINED IN THE ITC'S RECOMMENDATIONS WITH THE ACTUAL PERFORMANCES OF LIMITED OFFICIAL USE

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EACH EXPORTING COUNTRY IN THE COURSE OF THE YEARS AFTER 1970, FOR WHICH DATA IS AVAILABLE, INDICATES THAT WHILE THE VOLUME OF JAPAN'S EXPORTS EXCEEDS THE RECOMMENDED QUOTA SHARE FOR JAPAN IN THE YEARS 1970, 1971, 1974, AND 1975, THE VOLUME OF EXPORTS FROM THE OTHER COUNTRIES ARE, WITHOUT EXCEPTION, LESS THAN THE RECOMMENDED QUOTA SHARES. IN OTHER WORDS, UNDER THE ITC'S RECOMMENDATIONS ONLY JAPAN WOULD SUFFER A CUTBACK, WHILE ALL OTHER EXPORTING COUNTRIES WOULD BE ALLOCATED SHARES GREATER THAN THEIR PAST PERFORMANCES.

THUS, THE COUNTRY QUOTA SHARES RECOMMENDED BY THE ITC, IN EFFECT, CONSTITUTE A DISCRIMINATION AGAINST JAPAN. AND THEREFORE, THE GOVERNMENT OF JAPAN CONSIDERS THAT THE YEARS 1970 THROUGH 1974 SHOULD BE ADOPTED AS THE BASE

PERIOD FOR THE CALCULATION OF THE COUNTRY QUOTAS, AND THAT, AT THE VERY LEAST, THE COUNTRY QUOTA SHARES SHOULD NOT BE LESS THAN THE ACTUAL MARKET SHARES OF EACH EXPORTING COUNTRY DURING THE ABOVE-MENTIONED PERIOD.

(2) THE DURATION OF THE IMPORT RESTRICTIVE MEASURES SHOULD BE LIMITED TO ONE YEAR, OR TWO YEARS AT THE LONGEST.

(3) EVEN IF THE CONDITIONS DESCRIBED IN THE ABOVE SUB-PARAGRAPHS (1) AND (2) ARE SATISFIED, THE GOVERNMENT OF JAPAN MAY STILL WISH TO REQUEST ADEQUATE COMPENSATIONS FROM THE UNITED STATES GOVERNMENT.

(4) IF THE ABOVE-MENTIONED CONDITIONS ARE NOT FULLY MET, THE GOVERNMENT OF JAPAN WILL EXERCISE ITS RIGHTS UNDER SUBPARAGRAPH 3(A) OF ARTICLE 19 OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE. END QUOTE KISSINGER

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